

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6808**

**BILL NUMBER:** SB 166

**NOTE PREPARED:** Feb 19, 2004

**BILL AMENDED:** Jan 20, 2004

**SUBJECT:** Distribution of Local Option Income Taxes.

**FIRST AUTHOR:** Sen. Kenley

**FIRST SPONSOR:** Rep. Frenz

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides for early distribution of revenue raised by an increase in the County Adjusted Gross Income Tax (CAGIT) rate or the County Economic Development Income Tax (CEDIT) rate to finance a county jail or certain other specified structures.

**Effective Date:** March 28, 2002 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue and the State Budget Agency will have additional administrative expenses to implement the provisions of the bill. Under the bill, the Budget Agency would make a recommendation to the Department for the adjustments from the CAGIT rate increase made in Marshall and Elkhart Counties and the CEDIT rate increase in Knox County. The impact to state expenditures by this provision would depend on the amount of administrative time or additional staff, if needed, to implement the bill.

**Explanation of State Revenues:** Under SEA 166-2003, certified distributions are collections reported and actually received a year before a certification. The certification is distributed the year after the certification is made. Given that the new certification process under SEA 166-2003 is based on actual collections, counties are no longer required to keep a three- or six-month balance. This bill would allow Marshall County, Elkhart County, and Knox County to receive early distribution of their certification for the increased rate allowed for financing the items listed above in the summary. This early distribution would be made before the actual collections are reconciled with tax return information. Therefore, any difference between the early distribution and actual collections would be made up temporarily by the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* The bill would allow Elkhart and Marshall counties to receive adjustments to their CAGIT certified distributions. Knox County would be allowed to receive adjustments to their CEDIT certified distributions. Under the bill, these counties would be able to receive adjustments no later than ten months after the month that their recent tax rate increase became effective. Elkhart County adopted an ordinance to raise their CAGIT rate by 0.25% to 1.25% on March 15, 2003, with an effective date of July 1, 2003. Knox County adopted an ordinance to raise their CEDIT rate by 0.25% to 0.5% on March 11, 2003, with an effective date of July 1, 2003. Marshall County adopted an ordinance to raise their CAGIT rate by 0.25% to 1.25% on February 10, 2003, with an effective date of July 1, 2003. From the effective dates listed above, these counties would be able to receive the adjustment allowed under the bill by May of 2004. Under current law, the additional revenue generated from the rate increase would not be received until 2005.

*Background Information:* P.L. 178-2002 authorized Elkhart and Marshall counties to increase their CAGIT rate by either 0.15%, 0.2%, or 0.25% to finance, construct, acquire, improve, renovate, or equip jail facilities, or juvenile court, detention, and probation facilities. P.L. 178-2002 also authorized Knox County to increase their CEDIT rate by 0.25% for constructing, acquiring, renovating, and equipping the county jail.

Under current statute, counties with established LOITs that increase their rate currently do not receive the revenue from that rate increase for two years. This allows the Department of State Revenue time to reconcile the tax returns and determine actual collections.

The Elkhart County CAGIT CY 2004 certified distribution is \$36,876,043. The Marshall County CAGIT CY 2004 certified distribution is \$6,689,074. The Knox County CEDIT CY 2004 certified distribution is \$1,349,617.

**State Agencies Affected:** Department of State Revenue; State Budget Agency.

**Local Agencies Affected:** Elkhart, Knox, and Marshall counties.

**Information Sources:** *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2003*, Elkhart County Auditor, Knox County Auditor, Marshall County Auditor.

**Fiscal Analyst:** Chris Baker, 317-232-9851.